

State Board of Land Commissioners
August 16, 2007
Regular Agenda

SUBJECT

Approve distributions to endowment beneficiaries for fiscal year 2009

BACKGROUND

By statute, the Land Board is to determine the allocation of the earnings reserve funds of the endowments – how much to distribute to beneficiaries, how much to transfer to the permanent fund, and how much to retain for future distributions.

DFM requests that the Land Board approve fiscal year 2009 distributions in August so beneficiaries can include them in their budgets due September 1, 2007.

RECOMMENDATION

The Endowment Fund Investment Board recommends that distributions be based on the Spending Policy used last year: 5% of the last three years' average balance of the Permanent Fund of each of the endowments, except for the Penitentiary and School of Science, which are at a 4.1% rate. This results in an approximately 10% increase for each endowment, for a total of \$42.4 million in FY2009, compared to the \$38.6 million distribution for FY2008.

The fiscal 2009 distributions appear to be achievable and represent an appropriate balance between the interests of current and future beneficiaries, taking into account the current level of earnings reserves and past and expected fund revenues.

Also, the recommended 2009 distributions will likely permit growth of reserves for each endowment fund. No transfer to the permanent fund for any endowment is recommended at this time to ensure maintenance of sufficient reserves to protect future distributions in the event of a significant downturn in timber revenues or equity markets.

	<i>Approved</i> <i>FY2008</i>	<i>Proposed</i> <i>FY2009*</i>	<i>% Change</i>	<i>\$ Change</i>
Public Schools	26,995,000	29,692,900	10.0%	2,697,900
Ag College	725,000	794,000	9.5%	69,000
Charitable Instit.	2,582,000	2,826,100	9.5%	244,100
Normal School	2,310,000	2,534,100	9.7%	224,100
Penitentiary	728,000	794,000	9.1%	66,000
School of Science	2,138,000	2,332,300	9.1%	194,300
State Hosp. South	1,149,000	1,258,700	9.5%	109,700
University	1,990,000	2,181,000	9.6%	191,000
	<u>38,617,000</u>	<u>42,413,100</u>	<u>9.8%</u>	<u>3,796,100</u>

* 5% of 3-year average permanent fund balance (4.1% for Penitentiary and School of Science)

BOARD ACTION

A motion was made by Secretary of State Ysursa to move the EFIB recommendation that the distribution from the previous years be continued, which will result in a 10% increase raising the distribution from \$38.6 million to \$42.4 million in the next fiscal year. Attorney General Wasden seconded the motion. The motion carried on a vote of 4-0, with Controller Jones being absent for this vote.

